

# **CORRECTED FISCAL MEMORANDUM**

## **SB 611 – HB 653**

June 5, 2007

**SUMMARY OF AMENDMENT (008484):** Deletes all language of the original bill. Makes changes to current law pertaining to the HOPE Scholarship program to include: increases the HOPE Scholarship award for FY2007-08 at four-year institutions to \$4,000 and \$2,000 at two-year institutions and increases the Wilder-Naifeh technical skills grant to \$2,000; specifies the award amount of the HOPE Foster Child Tuition Grant; and establishes the Tennessee Student Assistance Fund within the State Treasury.

### **FISCAL IMPACT OF ORIGINAL BILL:**

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$34,603,200 in FY07-08 and by \$38,062,000 in FY08-09.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On May 18, 2007, we issued a fiscal memorandum for this bill as amended with the following estimated fiscal impact:

*Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$59,400,000 in FY07-08 and by \$79,700,000 in FY08-09.*

*Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund beginning July 1, 2007. The principal amount of the fund shall equal \$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.*

*There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at*

*four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.*

Based on new information received by THEC, the fiscal impact of this bill as amended is estimated as follows:

**(CORRECTED)**

**Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$52,400,000 in FY07-08 and by \$67,700,000 in FY08-09.**

**Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund beginning July 1, 2007. The principal amount of the fund shall equal \$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.**

**There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.**

Assumptions applied to amendment:

- Increases HOPE scholarship award amounts for FY07-08 from \$3,800 to \$4,000 for 4-year institutions and from \$1,900 to \$2,000 for 2-year institutions and increases the Wilder-Naifeh technical skills grant from \$1,500 to \$2,000. First year cost of \$12,000,000. Second year cost of \$13,200,000.
- Increases the income requirement (AGI) from \$36,000 to \$45,000 -- First year cost of \$5,200,000. Second year cost of \$5,700,000.
- Dual enrollment grant – First year cost of \$1,000,000. Second year cost of \$1,100,000.
- Changes applicable to non-traditional students – First year cost of \$3,300,000. Second year cost of \$5,600,000.
- HOPE Foster Child Tuition Grant – First year cost of \$50,000. Second year cost of \$55,000.
- Changes limitation of receipt of the HOPE – First year cost of \$448,000. Second year cost of \$494,000.
- Tennessee HOPE Teacher's Scholarship (private teachers) – First year cost of \$100,000. Second year cost of \$110,000.
- Dependent child of a religious worker – First year cost of \$114,000. Second year cost of \$125,400.
- Establishes the "Tennessee Student Assistance Fund" within the State Treasury and deposits into such fund on July 1, 2007, \$210,000,000 from the Lottery for

Education Account, of which \$200,000,000 shall remain as principal. TSAC excess lottery funds of \$10,000,000.

- Defines “cumulative GPA” – First year cost of \$4,500,000. Second year cost of \$5,000,000.
- Partial HOPE scholarship – First year cost of \$6,000,000. Second year cost of \$9,000,000.
- All checkpoints converted to academic year as opposed to current hours – First year cost of \$2,700,000. Second year cost of \$3,000,000.
- (1) Drops retention GPA to 2.75 cumulative – First year cost of \$7,000,000. Second year cost of \$12,000,000. (2) Student may gain HOPE eligibility status by achieving 2.75 cumulative GPA at end of any academic year – First year cost of \$800,000. Second year cost of \$1,700,000. Total first year cost of \$7,800,000. Total second year cost of \$13,700,000.
- \$500 supplement to juniors and seniors – First year cost of \$5,400,000. Second year cost of \$5,900,000.
- Allows student to drop below full-time status once without loss of scholarship – First year cost of \$3,800,000. Second year cost of \$4,700,000.
- Total net first year impact - \$52,400,000 (\$62,400,000 including \$10,000,000 from reserve)
- Total net second year impact - \$67,700,000 (\$77,700,000 including \$10,000,000 from reserve)

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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